

# The International Investment Position of the United States: Developments in 1979

**T**HE net international investment position of the United States increased \$19.6 billion in 1979, following a \$3 billion increase in 1978 (table 1). The increase largely reflected a decline in recorded capital inflows for foreign assets in the United States to \$37.6 billion, compared with \$64.1 billion. The decline in capital inflows was more than accounted for by a \$47.6 billion shift from inflows to outflows for foreign official assets. Recorded capital outflows of \$61.7 billion for U.S. assets abroad were about the same as in 1978. Net valuation and other adjustments were a negative \$4.6 billion, due mainly to the rise in U.S. stock prices which increased the value of foreign-held U.S. corporate stocks.

The net U.S. international investment position was \$95.0 billion at year-end 1979. U.S. assets abroad were \$513.2 billion and foreign assets in the United States were \$418.2 billion (chart 4). U.S. assets abroad increased 14 percent, mostly due to increases of about \$25 billion each in U.S. direct investments abroad and U.S. bank-reported claims on foreigners. Foreign assets in the United States increased 11 percent. A 28-percent increase in foreign private assets, mostly due to a \$33 billion increase in U.S. bank-reported liabilities, was partly offset by a \$15 billion reduction in foreign official assets in the United States, reflecting intervention sales of dollars in exchange markets—mostly in the first half of the year—by several major industrial countries, to limit the depreciation of their currencies.

## Relationship of capital flows to the current account

In terms of accounting entries, the net capital flow component of the U.S. international investment position is the mirror image of the balance on current account in U.S. international transactions, plus the allocation of special drawing rights (SDR's) by the International Monetary Fund (IMF), and an entry for the statistical discrepancy in the accounts. However, because capital flows and current account

transactions are simultaneously determined and interact through exchange rate changes and other factors, there is no simple cause and effect relationship between them.

The current-account deficit declined to \$0.8 billion from a \$14.3 billion deficit in 1978. Among current account components, the merchandise trade deficit declined to \$29.5 billion from \$33.8 billion despite an \$18 billion rise in the petroleum import bill, as exports increased faster than imports. The surplus on net service transactions increased almost \$10 billion, to more than \$34 billion; the largest increase was in receipts of income on U.S. direct investment abroad.

Net recorded capital outflows were \$24.2 billion, in contrast to a net inflow of \$2.9 billion in 1978. Outflows for U.S. bank lending to foreigners and direct investments abroad increased strongly. The rise in inflation and interest rates, and higher petroleum import bills, increased demand for dollar financing. Among recorded

capital inflows, high U.S. interest rates attracted substantial bank deposits abroad, and through most of the year, U.S. banks drew heavily on credit lines with their foreign offices to finance both U.S. and foreign loan demand.

The statistical discrepancy (errors and omissions in reported current- and capital-account transactions) was a record net inflow of \$23.8 billion. The inflow in the first half of the year probably was related to the strengthening of the dollar in exchange markets and the reversal of short positions against the dollar taken in the second half of 1978. Large unreported inflows in the last quarter of 1979 were partly related to U.S. credit-tightening measures and international political and military tensions, particularly in Afghanistan and Iran. To the extent that the \$23.8 billion unrecorded inflow was in the capital accounts, the increase in the net investment position would have been less.

Table 1.—Summary of Changes in the Net International Investment Position of the United States<sup>1</sup>

	(Millions of dollars)				
	1978	1978	1977	1976	1979
1. Change in net international investment position.....	18,794	7,354	-29,139	2,387	19,627
2. U.S. assets abroad.....	36,306	52,061	35,830	67,671	62,337
3. U.S. official reserves.....	343	2,522	560	-665	278
4. U.S. Government assets, other than reserves.....	2,401	6,191	3,557	4,644	4,260
5. U.S. private assets.....	33,565	43,348	31,713	63,031	57,799
6. Foreign assets in the United States.....	23,575	44,207	48,049	64,894	42,714
7. Foreign official assets.....	7,672	15,778	30,344	32,889	-14,513
8. Other foreign assets.....	15,903	28,429	17,705	32,005	57,227
9. International transactions capital flows, net.....	24,033	14,761	-14,846	-2,946	24,173
10. U.S. assets abroad.....	36,703	51,260	35,798	61,191	61,745
11. Foreign assets in the United States.....	10,670	28,619	50,741	64,098	37,570
12. Valuation and other adjustments, net.....	-8,241	-6,897	4,808	5,632	-4,559
13. U.S. assets abroad.....	-336	793	17	6,688	580
14. Foreign assets in the United States.....	7,905	7,690	-4,792	788	5,139
15. Net international investment position of the United States at end of period.....	74,634	82,456	72,340	76,336	94,959
Memorandum:					
International transactions capital flows, net (line 9 above) equals:					
16. Balance on current account (deficit (-)).....	18,280	4,364	-14,008	-14,239	-785
17. Allocations of special drawing rights.....					1,130
18. Statistical discrepancy (unrecorded outflows (-)).....	5,753	10,367	-890	11,354	23,822

1. Data for 1978-79 are revised; data for 1970 are preliminary.

## Changes in U.S. Assets Abroad

U.S. assets abroad increased \$62.3 billion to \$513.2 billion, compared with a \$67.9 billion increase in 1978. Capital outflows were about the same as in 1978; valuation adjustments were small, following unusually large adjustments (table 2). U.S. bank-reported outflows remained large—but were less than last year's record—despite sharply higher interest rates and tighter borrowing conditions. Outflows for U.S. direct investments abroad rose significantly, largely reflecting a rise in reinvested earnings. Net outflows for U.S. purchases of foreign bonds showed little change from a year earlier, but due to the sharp decline in foreign bond prices, especially in the last half of the year, the value of these holdings was lower at yearend 1979. A shift to net U.S. purchases of foreign stocks and a rise in their prices in some countries, particularly in Canada, resulted in a substantial increase in the value of U.S. foreign stock holdings.

## Bank claims

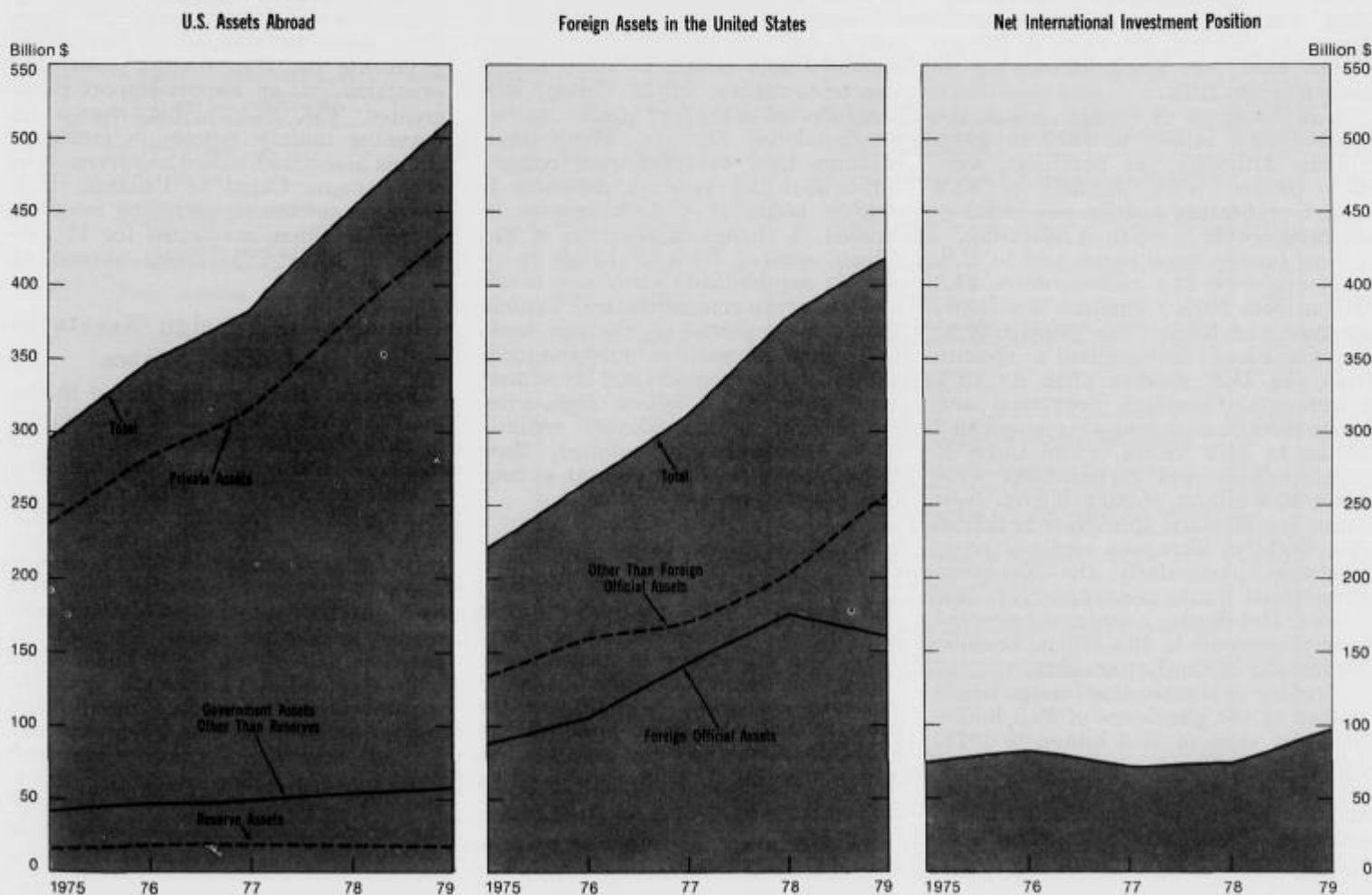
Although the increase was less than the 1978 record, U.S. bank-reported claims on foreigners increased a substantial \$25.9 billion, reflecting continued economic expansion and tighter borrowing conditions abroad, and stronger foreign demand for dollars, particularly by petroleum-importing countries. (Unlike 1978, there were no coverage adjustments in 1979). To help finance both domestic and foreign loan expansion, U.S. banks drew heavily on nondeposit sources of funds, including borrowing from offshore offices of U.S. banks. The latter, and related lending, were probably curtailed after the October 6 imposition of the 8-percent marginal reserve requirement on managed liabilities of U.S. banks, including offshore dollar borrowings. U.S. banks also purchased substantial amounts of high-yield foreign financial instruments, primarily certificates of deposit issued by foreign banks, which were held for the account of U.S. money

market mutual funds. These purchases, at \$7.6 billion, contributed to the growth in assets of U.S. money market mutual funds. U.S. bank lending to foreigners remained substantial in 1979 despite the absence of exchange-market related borrowing, which was particularly evident in the last quarter of 1978, strong domestic (U.S.) demand for credit, and narrowed spreads between borrowing and lending rates in the Eurobanking market.

There was a decline in outflows to industrial countries from the high 1978 level, despite a doubling of outflows to the United Kingdom. Lending to other industrial countries was down for the year but showed strength in the last half. Outflows to nonpetroleum developing countries increased substantially, especially to Mexico, Panama and Argentina. Eastern European countries also borrowed increased amounts. There was virtually no net borrowing by members of the Organization of Petroleum Exporting Countries (OPEC),

CHART 4

### International Investment Position of the United States



most of whom had substantially larger current-account surpluses in 1979.

At \$156.6 billion at yearend (table 3), claims on foreigners accounted for about 14 percent of total loans and investments of U.S. commercial banks, compared with 13 percent in 1978. U.S. bank assets abroad accounted for about 31 percent of total U.S. assets abroad at yearend, up from 29 percent in 1978.

### Foreign securities

Holdings of foreign securities by U.S. residents increased \$3.3 billion in 1979 to \$56.7 billion at yearend, compared with an increase of \$3.9 billion in 1978. U.S. residents' holdings of bonds decreased \$0.3 billion, compared with a \$2.3 billion increase; holdings of stocks increased \$3.6 billion, more than triple the 1978 increase.

In 1979, net U.S. purchases of foreign stocks were \$0.9 billion. Adjustments, particularly those reflecting price appreciation, added \$2.7 billion in value to these holdings. The increase in both purchases and valuation was concentrated in Canada, with its favorable position in energy and raw materials. Increases in both share prices and the value of the pound in the United Kingdom contributed to valuation gains there. At yearend, the value of foreign stocks held was \$14.9 billion, up 32 percent from 1978.

U.S. holdings of foreign bonds decreased \$0.3 billion in 1979 to \$41.8 billion. Although net purchases were \$3.7 billion, price declines of \$3.9 billion—reflecting a sharp rise in interest rates—were more than offsetting.

New foreign bond issues sold to U.S. residents were \$4.5 billion, down \$1.5 billion from 1978. Canadian new issues declined \$1.6 billion, due principally to the Canadian Government's absence from the U.S. market after its 1978 placements. Canadian provincial and hydro-electric borrowings increased \$0.2 billion to \$1.2 billion, while those of municipalities and corporations were down \$0.4 billion, to \$0.8 billion. New issues by Western European countries rose slightly. European regional organizations, particularly the European Investment Bank, were the largest borrowers. Developing countries decreased their placements to \$0.4 billion, borrowing instead in the Euromarket.

Trading in outstanding foreign bonds shifted to net purchases of \$0.9 billion from net sales of \$0.6 billion in 1978, primarily due to the attractiveness of high yield British gilt-edged securities and the rise of the pound in exchange markets. There was little change in redemptions, at \$1.7 billion.

At yearend 1979, U.S. holdings of foreign securities accounted for 11 percent of total U.S. assets abroad, down from 12 percent in 1978.

### U.S. direct investments abroad and other private assets

U.S. direct investments abroad increased 15 percent, or \$24.8 billion, to \$192.6 billion, following a 12 percent rise in 1978. Most of the rise was due to the \$18.4 billion increase in reinvested earnings and reflected strong earnings of U.S. affiliates abroad, especially in petroleum. Equity and intercompany account outflows increased \$5.9 billion, following a \$4.9 billion increase. Increased parent financing of petroleum affiliates abroad, and reduced liquidations (inflows), were major factors. Partly offsetting were inflows from automotive affiliates to fund U.S. operations. The acceleration of inflation and increased costs of external funds in 1979 may have encouraged companies to rely more extensively on internally generated funds to help finance affiliates' capital spending abroad. At yearend, the book value of U.S. direct investment abroad accounted for about 38 percent of total U.S. assets abroad.

Claims on unaffiliated foreigners reported by U.S. nonbanking concerns increased \$3.8 billion to \$29.9 billion. Capital outflows, at \$2 billion, were concentrated in the first quarter, mainly in Eurodollar deposits. These liquid balances held overseas were reduced throughout the year as domestic liquidity needs of U.S. businesses increased. A change in coverage of \$1.5 billion resulted from a change in reporting requirements and a new breakdown between commercial and financial claims. As reported on the new basis, \$17 billion represented outstanding financial claims (deposits and investment paper) and \$12.9 billion represented commercial claims (almost entirely trade receivables). Combined, these claims accounted for 6 percent of total U.S. assets abroad at yearend.

### U.S. official reserve assets

U.S. official reserve assets increased \$0.3 billion in 1979, compared with a \$0.7 billion decrease in 1978. There was a \$1.2 billion rise in special drawing rights—the first of three annual allocations authorized in 1978 by the International Monetary Fund (IMF) Board of Governors—and a \$0.2 billion increase in the U.S. reserve position

with the IMF. Partly offsetting were reductions in the U.S. gold stock and in foreign currency holdings. Gold reserves declined \$0.5 billion, due to U.S. Treasury sales of demonetized gold to the public. (Changes in the Treasury gold stock as a result of these sales are not entered as flows in the international accounts but are entered as adjustments to the stock of U.S. official reserve assets). Approximately 13.3 million ounces of gold were sold in 1979 until November, when sales were postponed indefinitely, compared with 2.6 million ounces sold in 1978. The inflow of \$65 million in gold reflected the last in a series of four IMF restitutions of gold to its members. Foreign currency holdings decreased \$0.6 billion, reflecting a net \$0.3 billion decrease in transactions and a \$0.3 billion valuation decrease because of a decline in value of several currencies against the dollar. At yearend 1979, U.S. official reserve assets were \$18.9 billion, accounting for 4 percent of total U.S. assets abroad.

### Other U.S. Government assets

Other U.S. Government assets increased \$4.3 billion in 1979, little changed from the 1978 increase. Slightly larger loan disbursements were more than offset by stepped up foreign repayments on U.S. foreign assistance programs and on Export-Import Bank credits. The \$0.5 billion change in coverage mainly represents increased claims associated with the reversion of the Panama Canal to Panama. U.S. Government assets, excluding reserves, at \$58.5 billion, accounted for 11 percent of total U.S. assets abroad at yearend.

### Changes in Foreign Assets in the United States

Foreign assets in the United States increased \$42.7 billion to \$418.2 billion in 1979, compared with a \$64.9 billion increase in 1978. The slowdown reflected a shift to a \$14.5 billion decline in foreign official assets, from a \$32.9 billion increase in 1978. There were substantial dollar sales in exchange markets by major industrial countries to limit the depreciation of their currencies against the dollar, especially in the first half of the year. These sales more than offset an increase in dollar assets of OPEC members. Other foreign assets—those of private foreigners and international organizations—increased a record \$57.3 billion, compared with a \$32 billion increase in 1978. Much of the increase resulted from borrowings

1. For details, see the article "U.S. Direct Investment Abroad in 1979", in this issue.

(Continued on page 72)

Table 2.—Changes in the Net International Investment Position of the United States Reconciled with International Transactions Capital Flows

(Millions of dollars)

Lines in table 3	Changes in net international investment position of the United States and U.S. assets abroad Item (decrease (-))	1978 *	1979 *	Lines in table 3	Foreign assets in the United States Item (decrease (-))	1978 *	1979 *
1	Changes in net international investment position of the United States.....	3,987	19,623				
	International transactions capital flows.....	-2,906	24,178				
	Other changes.....	6,902	-4,556				
2	U.S. assets abroad.....	47,871	62,337	24	Foreign assets in the United States.....	64,884	42,714
	Capital flows.....	61,101	61,748		Capital flows.....	64,006	27,575
	Other changes.....	6,680	580		Other changes.....	788	5,139
3	U.S. official reserve assets.....	-994	278	25	Foreign official assets in the United States.....	22,886	-14,515
	Capital flows.....	-732	1,107		Capital flows.....	33,293	-14,271
	Other changes.....	68	-830		Other changes.....	-407	-242
4	Gold.....	-48	-490	26	U.S. Government securities.....	24,109	-22,577
	Capital flows.....	65	85		U.S. Treasury securities.....	24,018	-22,390
	Public sales <sup>1</sup> .....	-108	-580	27	Capital flows.....	23,823	-22,356
	Valuation adjustments.....	-5	-5		Exchange rate adjustments <sup>2</sup> .....	253	-43
5	Special drawing rights.....	-1,071	1,188		Changes in coverage and statistical discrepancies.....	149	9
	Capital flows.....	-1,249	1,156				
	Exchange rate adjustments <sup>2</sup> .....	178	80	28	Other.....	90	-187
6	Reserve position in the International Monetary Fund.....	-3,590	308		Capital flows.....	660	465
	Capital flows.....	-4,231	189		Price changes.....	-876	-652
	Exchange rate adjustments <sup>2</sup> .....	392	17	29	Other U.S. Government liabilities <sup>4</sup> .....	2,220	-714
7	Foreign currencies.....	4,361	-695		Capital flows.....	2,220	-714
	Capital flows.....	4,885	-253		Statistical discrepancies.....		(*)
	Exchange rate adjustments <sup>2</sup> .....	-479	-312	30	U.S. liabilities reported by U.S. banks, not included elsewhere.....	5,254	7,219
8	U.S. Government assets, other than official reserve assets.....	4,432	4,264		Capital flows.....	5,458	7,219
	Capital flows.....	4,444	3,783		Changes in coverage and statistical discrepancies.....	-224	
	Other changes.....	-1	478	31	Other foreign official assets.....	1,304	1,550
9-11	U.S. loans and other long-term assets, less repayments.....	4,502	4,274		Capital flows.....	1,385	1,116
	Capital flows.....	4,520	3,799		Price changes.....	-81	443
	Exchange rate adjustments <sup>2</sup> .....	-18	-27	32	Other foreign assets in the United States.....	31,988	57,227
	Changes in coverage.....		506		Capital flows.....	30,882	51,816
	Valuation and other adjustments.....	-0	-13		Other changes.....	1,105	5,362
12	U.S. foreign currency holdings and U.S. short-term assets.....	141	-13	33	Direct investments in the United States.....	7,828	0,789
	Capital flows.....	116	-16		Capital flows.....	7,897	0,713
	Exchange rate adjustments <sup>2</sup> .....	25	7		Equity and intercompany accounts.....	5,813	5,864
	Statistical discrepancies.....	1	-4		Retained earnings of incorporated affiliates.....	2,553	3,730
13	U.S. private assets.....	63,891	57,789		Valuation adjustments.....	-20	76
	Capital flows.....	67,270	56,858				
	Other changes.....	6,621	931	34	U.S. securities other than U.S. Treasury securities.....	2,460	6,528
14	Direct investments abroad.....	17,056	24,844	35	Corporate and other bonds.....	151	244
	Capital flows.....	16,345	24,319		Capital flows.....	1,401	1,817
	Equity and intercompany accounts.....	4,877	5,984		Price changes.....	-1,740	-1,573
	Retained earnings of incorporated affiliates.....	11,460	18,414	36	Corporate stocks.....	2,315	8,184
	Valuation adjustments.....	1,510	528		Capital flows.....	1,223	1,024
15	Foreign securities.....	3,945	3,332		Price changes.....	993	5,160
16	Foreign bonds.....	2,810	-313	37	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	1,641	3,120
	Capital flows.....	3,077	3,714		Long-term.....	-194	(*)
	Price changes.....	-1,245	-3,029	38	Capital flows.....	-104	(*)
	Exchange rate adjustments <sup>2</sup> .....	107	-66		Short-term.....	1,835	3,120
17	Foreign corporate stocks.....	1,128	3,645	39	Capital flows.....	1,834	3,122
	Capital flows.....	-527	928		Changes in coverage and statistical discrepancies.....	1	1,428
	Price changes.....	1,583	2,362				
	Exchange rate adjustments <sup>2</sup> .....	80	354	40	U.S. long-term liabilities reported by U.S. banks.....	(*)	(*)
18	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	3,853	3,765		Capital flows.....	(*)	(*)
19	Long-term.....	53	(*)	41	U.S. Treasury securities and other short-term liabilities reported by U.S. banks.....	* 20,035	* 37,790
	Capital flows.....	53	(*)		U.S. Treasury securities.....	2,845	5,122
20	Short-term.....	3,800	* 3,765	42	Capital flows.....	2,107	4,830
	Capital flows.....	3,800	* 2,029		Exchange rate adjustments <sup>2</sup> .....	75	282
	Changes in coverage and statistical discrepancies.....		* 1,726		Changes in coverage and statistical discrepancies.....	73	
21	U.S. claims reported by U.S. banks, not included elsewhere.....	20,137	25,868	43	U.S. short-term liabilities reported by U.S. banks, not included elsewhere.....	* 17,870	* 32,668
22	Long-term.....	(*)	(*)		Capital flows.....	* 18,250	* 32,668
	Capital flows.....	(*)	(*)		Changes in coverage and statistical discrepancies.....	* 1,411	(*)
23	Short-term.....	* 38,137	* 23,908				
	Capital flows.....	* 38,031	* 23,908				
	Changes in coverage and statistical discrepancies.....	* 4,300	(*)				

\* Preliminary.

\* Revised.

\* Less than \$500,000 (b).

1. Reflects sales to the public from U.S. Treasury gold stocks; these demonetizations are not included in the international transactions presentation.

2. Represents gains or losses on foreign currency denominated assets and liabilities due to their revaluation at current exchange rates.

3. Due to the introduction of new reporting forms, the maturity breakdown is not available.

4. See table 3, footnote 10.

5. The distinction between long- and short-term liabilities is discontinued in 1978.

Table 3.—International Investment Position of the United States at Yearend<sup>1</sup>

(Millions of dollars)

Line	Type of investment	Total					Western Europe		Canada		Japan		Latin American Republics and Other Western Hemisphere		Other foreign countries		International organizations and multilateral	
		1975	1976	1977	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979
1	Net international investment position of the United States	74,634	82,488	73,349	75,336	94,965	-77,888	-74,883	56,134	62,136	-77,284	-733	78,888	87,039	18,182	16,835	22,548	23,946
2	U.S. assets abroad	295,112	347,174	382,984	450,885	518,192	139,254	185,254	80,086	87,611	23,187	27,687	113,197	129,685	74,363	61,658	25,853	30,228
3	U.S. official reserve assets	16,226	16,748	19,214	18,060	18,028	2,800	2,304	(*)	(*)	1,665	1,478					14,270	15,149
4	Gold	11,689	11,598	11,719	11,071	11,172											11,071	11,172
5	Special drawing rights <sup>2</sup>	2,335	2,389	2,629	1,668	2,724											1,668	2,724
6	Reserve position in the International Monetary Fund <sup>3</sup>	2,212	4,494	4,946	1,047	1,263											1,047	1,263
7	Foreign currencies	60	321	26	4,374	3,770	2,809	3,301	(*)	(*)	1,563	1,478						
8	U.S. Government assets, other than official reserve assets	41,017	46,908	49,665	54,200	58,969	9,978	10,083	259	252	673	605	10,575	11,387	28,642	31,851	4,086	4,968
9	U.S. loans and other long-term assets <sup>4</sup>	30,823	44,138	47,770	52,273	56,546	9,771	9,903	288	248	671	608	10,550	11,276	20,086	20,155	4,084	4,362
10	Repayable in dollars	30,833	41,220	45,179	49,835	54,254	9,182	9,379	258	248	671	602	9,983	10,747	25,637	26,316	4,084	4,362
11	Other <sup>5</sup>	2,990	2,918	2,591	2,438	2,291	579	524					567	529	5,302	1,339		
12	U.S. foreign currency holdings and U.S. short-term assets	1,584	1,870	1,706	1,036	1,923	209	185					25	23	1,709	1,688		
13	U.S. private assets	337,070	382,418	314,106	377,086	435,785	117,408	143,859	78,437	87,360	20,670	25,474	102,022	116,579	45,711	49,906	11,488	10,718
14	Direct investments abroad	134,050	138,800	148,848	167,824	182,648	68,578	81,403	37,071	41,033	4,972	6,775	32,082	36,634	18,672	20,063	9,634	9,880
15	Foreign securities	34,913	44,157	49,439	53,854	50,716	9,283	11,880	29,818	32,532	680	194	2,002	1,030	4,216	5,802	4,479	3,777
16	Bonds	25,328	34,704	38,356	43,149	41,835	4,488	6,002	33,619	32,947	630	194	2,783	2,302	8,190	6,182	4,479	3,777
17	Corporate stocks	9,585	9,453	10,110	11,230	14,681	4,794	4,054	6,113	9,585	(*)	(*)	204	229	128	113		
18	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns	18,340	20,317	22,258	23,109	29,884	8,617	10,885	5,202	5,439	1,308	1,318	7,312	8,483	2,860	2,764		
19	Long-term	5,894	6,934	6,886	6,088	7,884	1,786	1,942	1,942	1,942	0	0	1,304	1,304	1,002	1,002		
20	Short-term	12,446	13,383	15,372	17,021	22,000	6,831	8,943	3,260	3,497	1,308	1,318	6,008	7,179	1,858	1,762		
21	U.S. claims reported by U.S. banks, not included elsewhere	59,747	61,185	63,563	130,089	150,887	30,040	30,837	7,754	8,327	13,806	18,189	39,683	70,233	18,514	20,878	75	68
22	Long-term	0,000	11,888	12,649	180,000	150,887	30,040	30,837	7,754	8,327	13,806	18,189	39,683	70,233	18,514	20,878	75	68
23	Short-term	59,747	49,297	50,914	112,089	130,000												
24	Foreign assets in the United States	228,479	254,858	308,438	375,519	435,233	287,250	338,912	21,902	24,475	40,361	22,298	42,389	82,847	36,261	65,821	1,386	7,288
25	Foreign official assets in the United States	88,854	105,832	141,940	174,832	190,318	95,904	97,748	2,655	2,050			6,229	6,578				
26	U.S. Government securities	85,853	102,908	135,908	167,780	182,845	108,231											
27	U.S. Treasury securities	61,307	70,880	101,093	125,130	103,738	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
28	Other	2,446	2,411	5,846	6,768	5,571												
29	Other U.S. Government liabilities <sup>6</sup>	4,159	8,788	9,945	13,145	11,481	2,678	2,658	167	159	1,726	1,957	223	282	7,484	6,476		
30	U.S. liabilities reported by U.S. banks not included elsewhere	18,282	17,281	18,004	23,258	30,477	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
31	Other foreign official assets	2,880	8,648	7,287	8,541	10,100												
32	Other foreign assets in the United States	113,828	109,064	168,889	200,887	257,914	111,348	142,504	39,307	23,416			37,120	58,374			7,208	7,288
33	Direct investments in the United States	27,642	30,770	34,895	43,471	52,380	20,180	25,090	8,974	2,749	3,441	1,552	4,893	830	1,043			
34	U.S. securities other than U.S. Treasury securities	45,338	54,890	52,918	55,379	61,867	40,899	45,123	7,000	8,118	1,078	1,400	2,547	3,875	2,482	3,060	709	622
35	Corporate and other bonds	10,825	11,964	13,200	13,360	13,704	10,779	11,115	1,125	1,088	297	510	631	690	77	106	859	314
36	Corporate stocks	35,513	42,926	39,718	42,019	48,163	30,119	34,008	5,874	7,030	881	800	2,030	3,915	2,385	2,952	380	408
37	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns	13,985	12,061	13,485	18,878	18,190	7,382	9,886	851	1,221	1,169	1,204	1,972	3,751	3,708	3,338		
38	Long-term	6,837	5,837	5,417	5,123	7,189	3,783	5,686	103	1,321	281	1,204	1,494	2,751	430	2,336		
39	Short-term	7,068	7,124	8,118	9,853	11,001	3,599	4,199	748		888		522		3,278			
40	U.S. long-term liabilities reported by U.S. banks	861	1,112	1,480	(*)	(*)												
41	U.S. Treasury securities and other short-term liabilities reported by U.S. banks	45,830	56,381	66,361	87,783	125,051	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
42	U.S. Treasury securities	4,246	7,628	7,862	8,007	11,029												
43	U.S. short-term liabilities reported by U.S. banks, not included elsewhere	41,584	52,353	58,500	77,804	110,522												

Includes U.S. gold stock. \*Less than \$500,000 (a).

1. Data for 1975-79 are revised; data for 1979 are preliminary.

2. Beginning in July 1974, U.S. holdings of special drawing rights and the reserve position in the International Monetary Fund include changes in the SDR based on changes in a weighted average of exchange rates for currencies of 16 member countries of the International Monetary Fund.

3. Also includes paid-in capital subscriptions to international financial institutions and outstanding amounts of miscellaneous claims that have been settled through international agreements to be payable to the U.S. Government over periods in excess of 1 year. Excludes World War I debts that are not being serviced.

4. Includes indebtedness that the borrower may contractually, or at its option, repay with its currency, with a third country's currency, or by delivery of materials or transfer of services.

5. For the most part, represents the estimated investment in shipping companies registered primarily in Panama and Liberia.

6. U.S. holdings of Japanese shares may be underestimated. This is due in part to the recording of security transactions by the country of transactor rather than the country of issue.

7. Due to the introduction of new reporting forms, the maturity breakdown is not available.

8. Details not shown separately are included in totals in lines 25 and 32.

9. Details not shown separately are included in line 28.

10. Primarily includes U.S. Government liabilities associated with military sales contracts and other transactions arranged with or through foreign official agencies.

11. The distinction between long- and short-term liabilities is discontinued in 1979.

12. Includes U.S. Treasury notes denominated in foreign currencies, sold through foreign central banks to domestic residents in country of issue; these notes are subject to restricted transferability.



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(inflows) from U.S. banks' offshore offices in the Caribbean and United Kingdom to finance domestic (U.S.) lending. Also, the pace of foreign direct investments in the United States accelerated. Among other foreign assets, a rise in U.S. stock prices increased the value of foreign holdings of U.S. corporate stocks.

#### Foreign official assets in the United States

Foreign official assets in the United States declined \$14.5 billion, due to large intervention sales of dollars by several major industrial countries. As the dollar recovered in early 1979, foreign monetary authorities—particularly Japan, and to a lesser extent Germany and Switzerland—sold U.S. Treasury securities, utilizing the dollars in a coordinated effort with the U.S. Federal Reserve System to limit depreciation of their currencies. Other European countries sold dollars in connection with intervention requirements of the newly instituted European Monetary System. In total, U.S. Treasury security holdings of industrial countries declined \$22.4 billion. In contrast, dollar holdings of the United Kingdom increased following a large decline the previous year. High U.K. interest rates and growing output of North Sea oil bolstered the pound, and there were official intervention purchases of dollars to limit the appreciation of the pound.

Official dollar assets of OPEC members increased \$5.5 billion in 1979, after a small decline in 1978. The rise in U.S. interest rates on money market instruments and on bank deposits, particularly in the last five months of 1979, attracted funds from OPEC members, whose combined current account had increased from near balance to an estimated \$65 to \$70 billion surplus as a result of increased receipts from higher priced petroleum sales. Net purchases of U.S. corporate bonds and stocks by OPEC members were unchanged. It appeared that an increased share of OPEC assets was being placed outside the United States. Investible funds placed directly in the United States in 1979 were approximately 8 percent of the total—considerably below the 1974-77 annual average of 20 percent. Official dollar assets of other foreign countries, primarily non-oil-exporting developing countries, increased \$1.5 billion.

Foreign official assets were \$160.3 billion at yearend 1979, accounting for 38 percent of total foreign assets in the United States.

#### Other foreign assets

Other foreign assets in the United States, mainly U.S. bank-reported liabilities to foreigners and to a lesser extent foreign direct investments, increased \$55.5 billion, compared with a \$32 billion increase in 1978.

Over half the increase reflected a record \$32.7 billion increase in U.S. bank-reported liabilities to foreigners. The increase in these liabilities (inflows) was strong in the first seven months of the year, although interest differentials narrowed steadily; U.S. rates remained relatively stable, at high levels, and interest rates abroad increased 300-400 basis points. Inflows surged in August, when U.S. interest rates began to rise sharply along with foreign rates. U.S. banks stepped up their borrowing from their foreign offices to meet heavy domestic and foreign loan demand, in the face of further tightening of U.S. and foreign financial conditions, and perhaps in anticipation of restrictions on further increases in Eurodollar borrowing. Once the marginal reserve requirements against such borrowing took effect in October, inflows from foreign offices slowed markedly and U.S. banks stepped up their borrowing in the domestic CD market. Bank-reported assets, at \$110.5 billion, accounted for 27 percent of total foreign assets at yearend.

Foreign holdings of U.S. Treasury securities increased \$5.1 billion, primarily reflecting three placements of U.S. Treasury mark- and Swiss franc-denominated notes with German and Swiss residents. (The proceeds from these issues—\$2.5 billion in German marks and \$1.2 billion in Swiss francs—were added to U.S. foreign exchange reserves and subsequently utilized for exchange market intervention.) At the end of 1979, the dollar value of outstanding foreign currency issues was \$5.6 billion—over one-third of the \$15 billion in U.S. Treasury securities held by private foreigners and international and regional organizations.

Foreign direct investments in the United States increased 23 percent to \$9.8 billion, following a similar increase in 1978.<sup>2</sup> Equity and intercompany inflows were \$6 billion and included several major acquisitions of U.S. manu-

facturing and finance companies. Reinvested earnings increased \$3.7 billion, reflecting a strong rise in U.S. business earnings. At \$52.3 billion at yearend, foreign direct investments accounted for 13 percent of total foreign assets in the United States.

Foreign holdings of U.S. corporate securities increased \$6.5 billion, primarily due to price appreciation of stocks. Although net purchases of U.S. stocks, at \$1 billion, were down slightly, the 12 percent rise in stock prices added \$5.2 billion in value to foreign-held U.S. stocks. Residents of the United Kingdom were the largest net purchasers, as restrictions on U.K. foreign investments were eased in the last half of the year and the pound appreciated sharply against the dollar. Also, Canadian purchases of U.S. shares were strong in the second half. Swiss and German residents were net sellers. Foreign holdings of U.S. stocks at yearend were \$48.2 billion, up nearly 15 percent.

There was a small increase of \$0.3 billion in foreign holdings of U.S. bonds other than Treasury issues. A decline of \$1.6 billion in value due to market price declines reflected the rise in U.S. long-term interest rates and largely offset a \$1.9 billion increase in net foreign purchases. Net purchases of newly issued Eurobonds of U.S. corporations accounted for nearly all of the increase in foreign purchases. Foreign holdings of U.S. bonds were \$13.4 billion at yearend. Combined bond and stock holdings, at \$61.9 billion, accounted for 15 percent of total foreign assets in the United States.

Liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns increased \$3.1 billion, compared with a \$1.8 billion increase in 1978. Capital inflows, at \$1.7 billion, were virtually unchanged; there was a \$1.4 billion positive adjustment reflecting increased coverage. Of the \$18.2 billion in outstanding liabilities at yearend 1979, \$9.6 billion represented commercial liabilities: trade payables were \$4.3 billion, and prepayments and other liabilities were \$5.3 billion. Financial liabilities, primarily to banks, were \$8.5 billion; these liabilities increased mainly in the second half of the year, when U.S. credit conditions tightened.

2. For details, see the article "Foreign Direct Investment in the United States, 1979," in this issue.

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the years preceding 1975 are based on the 1967 SIC. A consistent set of reliable estimates on the 1972 SIC basis is not possible. BEA is unable to distin-

guish between code changes due to the Office of Management and Budget's revision of the SIC and code changes due to refiled required periodically of em-

ployers by the State Employment Security Agencies. The latter incorporates changes due to errors in classification and/or changes in product activity.